

# Senate Budget & Fiscal Review

*Senator Wesley Chesbro, Chair*



## Subcommittee No. 3 on Health, Human Services, Labor, & Veterans Affairs

Senator Wesley Chesbro, Chair  
Senator Gilbert Cedillo  
Senator Tom McClintock  
Senator Bruce McPherson  
Senator Deborah Ortiz

April 28, 2003  
2:30 PM, or Upon Adjournment of Session  
Room 4203

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<u>Item</u>	<u>Description</u>
4440	Department of Mental Health—Capital Outlay ( <i>only</i> )
4120	Emergency Medical Services Authority-- <i>Selected Issues as Noted</i>
4280	Managed Risk Medical Insurance Board-- <i>Selected Issues as Noted</i>
4260	Department of Health Services— <i>Selected Issues as Noted</i>

## **I. ITEMS RECOMMENDED FOR CONSENT (Items “A” through “B”)**

### **A. Department of Mental Health—Selected Capital Outlay**

#### **1. Administration’s Proposed Budget Bill Language On Napa Sanitation Easement**

**Background and Finance Letter Request:** The Napa Sanitation District and Napa State Hospital would like to enter into an easement agreement that would allow the District to install a water tank and underground piping for the purpose of storing reclaimed water on Napa State Hospital property. In return for this easement the District would install a complete reclaimed water delivery system at Napa State Hospital for landscape irrigation. However, Section 14666 of the Government Code precludes this agreement, as it states that all funds received for an easement shall go to the General Fund.

**This proposed agreement would benefit both entities.** The state would benefit because Napa State Hospital would receive at no cost a reclaimed irrigation infrastructure for landscape use. In addition, it would reduce the amount it pays for water by using reclaimed water rather than potable water for irrigating its landscaping. The District would benefit because it obtains a large customer that will purchase reclaimed water for years to come. In addition, the water tank installed on the hospital grounds will allow the District to provide reclaimed water to customers north of the hospital approximately 10 years ahead of their current schedule.

**The proposed Budget Bill Language is as follows:**

**Notwithstanding Government Code Section 14666, the Department of General Services may approve an easement, subject to Department of Finance approval, to the Napa Sanitation District at Napa State Hospital for the installation of reclaimed water piping and storage tank.**

**Subcommittee Staff Recommendation:** The Subcommittee staff recommends approval of the proposal. No issues have been raised.

**Budget Issue:** Does the Subcommittee **want to approve the Finance Letter?**

#### **2. Reappropriation for Multipurpose Building at Atascadero & School Building at Metropolitan**

**Background and Finance Letter Request:** The Budget Act of 2002 contained funding for working drawings and construction for both of these projects. Since there was a delay in signing the Budget Act, **both of these projects started working drawings later than originally scheduled.** As such, the DMH is requesting a reappropriation to safeguard the construction funding of \$13.4 million (Public Building Construction Fund) in the event they cannot obtain permission to go to bid within the needed time frame.

**Neither the LAO or Subcommittee staff have raised any issues with this proposal.**

**Budget Issue:** Does the Subcommittee want to adopt the Finance Letter?

### **3. Patton State Hospital—Addition of Seismic Component**

**Background and Finance Letter Request:** The Governor’s January budget included \$7.6 million (Public Building Construction Fund) for construction funding for this project. **The Finance Letter adds an additional \$13.4 million (Public Building Construction Fund) to have this project include a seismic retrofit of the building**

**Neither the LAO or Subcommittee staff have raised any issues with this proposal.**

**Budget Issue:** Does the Subcommittee want to adopt the Finance Letter?

### **B. Emergency Medical Services Authority**

#### **1. Alternative to the Transfer of the EMSA to the Department of Health Services**

**Background and Governor’s Proposed Budget:** The EMSA was created as a separate entity from the Department of Health Services in 1980, primarily due to dissatisfaction among emergency medical service constituency groups with the state’s emergency medical service system.

In an effort to reduce state government, the Administration has proposed to consolidate the EMSA with the Department of Health Services. **The budget assumes savings of \$342,438 (\$138,440 General Fund, \$128,198 federal funds, \$62,607 EMS Personnel Fund, and \$13,193 EMS Training Program Approval Fund) from this proposal.**

**Specifically, the savings would be achieved by eliminating five positions--the Chief Deputy, Health Program Manager III, and three clerical support.** In addition, it assumes that the Director of the EMSA is downgraded to a Career Executive Assistant (CEA) III level for savings of almost \$13,000 (total funds). In addition, the Administration proposes trailer bill language which would achieve the proposed consolidation.

1.

**Subcommittee Hearings and Constituency Comment:** In the Subcommittee’s January 15<sup>th</sup> hearing and March 3<sup>rd</sup> hearing, numerous **constituency groups testified against the consolidation. Among many comments presented, it was noted that the EMSA:**

- Needs to remain independent in order to effectively manage and coordinate the multiple functions for which it is responsible and meet the needs of constituencies;
- Has conducted a comprehensive planning process for the Future Vision of California’s EMS System which now needs to proceed with implementation;
- Has a long history of successfully working with a wide representation of constituencies on emergency preparedness and response;
- Needs to maintain the Commission on EMS as a regulatory body, not change to an advisory body as would occur under the proposed consolidation; and

- Is recognized as being expert at establishing medical standards and regulations for local EMS systems, including a hospital standards component.

**The Subcommittee did not receive any testimony in support of the consolidation, nor has it received any correspondence in support of it.**

**Subcommittee Staff Alternative—Adopt Budget Bill Language:** In lieu of the consolidation, it is suggested for the Subcommittee to **(1) reduce the EMSA state support item by \$138,000 (General Fund)**, the same amount as attributable to the proposed consolidation, **(2) adopt Budget Bill Language**, and **(3) restore the approximate \$ 204,000 in federal and special funds** that would not be transferred over to the DHS. The suggested language is as follows:

**Item 4120-001-0001 Provision 1.**

It is the Legislature's intent for any reduction taken in this item to be obtained from state support only and not local assistance. This may include efficiencies and savings obtained from personnel expenditures, operating expenditures or equipment.

This proposed alternative was discussed by the Subcommittee in its March 3<sup>rd</sup> hearing. At that time, there were no objections by constituency groups on the proposal (i.e., if reductions need to be made).

**Budget Issue:** Does the Subcommittee want to adopt the proposed alternative?

**2. Childcare Preventive Health Analyst—Finance Letter**

**Background and Finance Letter Request:** The EMSA is requesting to **redirect one existing position to support the Childcare Preventive Health Training Program** for expenditures of \$58,000 (Training Program Approval Fund), and **a corresponding decrease of \$53,000 General Fund.**

**Section 1797.191 of Health and Safety Code** requires the EMSA to review, approve and monitor course quality for Childcare Preventive Health Programs. Specifically, responsibilities include reviewing and approving initial applications for Childcare Preventive Health Training Programs, re-certifying these programs every two years, and providing technical assistance to training programs. Currently, 1.5 staff positions have conducting the essential duties of this area.

**However, the EMSA contends that an additional position is needed due to work load.** The EMSA receives on average 12 initial applications for review and approval. In addition, they currently have a backlog of 24 programs that require initial review and approval. The EMSA has issued temporary approvals to these programs. In most cases, the EMSA must provide technical assistance to training programs to ensure that curricula meet with state child preventive health standards and that all items necessary to complete the review process are included in the program's application package. **This position is necessary to ensure that childcare preventive health programs comply with state standards and ultimately should ensure safe conditions for children in childcare facilities.**

## **II. ITEMS FOR DISCUSSION**

### **A. 4120 Emergency Medical Services Authority (EMSA)**

#### **1. California Poison Control System—Administration's *Modified Proposal***

**Background--Overall:** The California Poison Control System (CPCS) is a major source of poison information, treatment and referral assistance to public and health professionals through their emergency hotlines (24-hour, 7 days a week). It should be noted that the calls not only pertain to the ingestion of potentially toxic household products, **but also allergic reactions to products such as hair products, over-the-counter medications, the use of home cleaners,** and even the potential poisoning of pets/animals.

The staff also provides a 24-hour interpreter service, Hazmat, public health surveillance and state of the art information references. They are currently preparing information and procedures to prepare for biological, chemical and nuclear terrorism threats to California.

It should be noted that a portion of the CPCS activities consists of receiving and responding to transferred 911 calls.

California saves over \$55 million annually in health care-related costs as a result of poison control consultations.

**Background—Key Statistics:** At the request of the Subcommittee, the CPCS has provided the following statistics regarding their services:

- Managed more than 367,000 poison calls in 2002
- 51 percent of poisonings involved children under 5 years of age.
- CPCS saves \$7 for every \$1 of cost
- 61,000 emergency department/physician office visits were averted by poison control consultants.

**Current Year Funding:** The CPCS has expenditures of about \$9 million or so annually. Funding is obtained from a variety of sources, including in-kind support from the University of California at San Francisco, the City and County of San Francisco, some industry contracts, \$1.6 million in federal HRSA funds, **\$3.6 million in General Fund support from the EMSA and about \$3.3 million in federal supplemental funds obtained from the California Medical Assistance Commission (CMAC).** The Budget Act of 2002 reduced General Fund support by \$400,000.

It should be noted that some Medi-Cal supplemental federal funds which had been previously made available to the CPCS will no longer be provided by CMAC. This is due to changes in the state's Selective Provider Hospital Contract Medicaid Waiver which was just approved by the federal government a few weeks ago. In essence, additional funds to be made available under the Waiver need to be provided for other uses, most notably disproportionate

share hospitals, the Los Angeles County Health System, Children's Hospitals and graduate medical education assistance.

**Finance Letter:** The Governor's January budget had proposed to use \$3.6 million from proposed increased fee revenues from the 911 Account to backfill for General Fund support for the California Poison Control System (CPCS). **However, this proposal is now being rescinded.**

**In place of this original proposal coupled with the loss in federal funds (i.e., \$3.6 million plus \$3.3 million), the Administration is proposing to provide an increase of \$6.9 million (General Fund) to fund the CPCS for the budget year.**

**Subcommittee Request and Questions:** The Subcommittee has requested the EMSA to respond to the following questions:

- Please briefly describe the Administration's revised proposal.

**Budget Issue:** Does the Subcommittee want to adopt the Finance Letter, pending receipt of the May Revision?

## **B. 4280 Managed Risk Medical Insurance Board (MRMIB)**

### **1. Oral Health Demonstration Project—Finance Letter**

**Background:** The California Children and Families First Commission (Commission), created under Proposition 10, adopted an initiative to implement an insurance-based oral health demonstration project. This initiative seeks to significantly reduce the incidence of dental decay in very young (birth to five years) children. **Specifically, the initiative grew out of the Commission's desire to address early childhood bacterial infections, the most prevalent chronic disease of early childhood and a major cause of school absenteeism.**

In partnership with the Commission, the Managed Risk Medical Insurance Board (MRMIB) will administer the three year insurance-based oral health demonstration project through contracts with dental and health plans who are presently participating in the Healthy Families Program (HFP). MRMIB's administrative costs will be funded through the project funds.

Participating dental and health plans would be required to partner with dental providers, clinics, dental schools, and pediatric care providers to develop proposals to test innovative ways to:

- Increase the utilization of preventive dental benefits among young children;

- Increase the capacity of medical and dental providers to serve the oral health needs of young children (including those with disabilities and other special needs); and
- Increase access for young children in rural and frontier areas to dental services

**The initiative targets \$10 million (Proposition 10 Funds)--\$3 million (over three years) for an insurance-based oral health demonstration project and \$7 million (over four years) for an education and training project.**

**Finance Letter: The MRMIB is requesting an increase of \$142,000 (\$92,000 federal Title XX and \$50,000 in Reimbursements from Proposition 10 Funds) to fund an Associate Governmental Program Analyst position (three year limited-term) and a small inter-departmental contract (i.e., \$23,000).**

Through the terms of the Inter-Agency agreement between the Commission and MRMIB, up to **five percent of the total project funds** can be used to cover the administrative costs of MRMIB.

**Subcommittee Request and Questions:** The Subcommittee has requested the MRMIB to respond to the following questions:

- Please provide a **brief description of the proposal.**

## **2. County Health Initiative Program (See Hand Out)**

**Background:** Chapter 648, Statutes of 2001 (AB 495) established a process whereby **counties, local initiatives and County Organized Health Care Systems could use local public agency funds to draw down matching federal Title XX funds** (i.e., State Children's Health Insurance Program) and **provide health insurance coverage to children with family incomes between 250 percent and 300 percent of the federal poverty level and who would otherwise qualify for the Healthy Families Program.**

The legislation further provided that these federal funds would be used prior to the expiration of their period of availability for programs designed to improve and expand access for uninsured persons. **Given the current period of availability of federal Title XX funds and the time needed to completely ramp up California's Healthy Families Program, the MRMIB estimates that sufficient federal Title XX funds will be available in the budget year to fund the Healthy Families caseload, as well as this County Health Initiative Program (i.e., the local entity programs/projects).**

**MRMIB is required to administer the program in collaboration with the Department of Health Services. The enabling legislation contained specified administrative functions to be implemented, including, review and approval of applications for funding, auditing the expenses incurred by the applicant in implementing its program, and many other related functions.**

**Finance Letter:** The Administration is requesting an increase of **(1) \$153.8 million (\$99.8 million federal Title XX funds and \$53.7 million county/local entity funds) for local assistance to fund projects as approved, and (2) \$280,000 (\$182,000 federal Title XX funds and \$98,000 county/local entity funds) for state support.** This proposed appropriation will enable the legislation to be implemented.

The MRMIB states that they have received a total of **20 concept statements**—eleven are for expansions of health insurance coverage for children, and nine are for other types of public health or outreach activities. **The local funds reported available for these proposals total \$35.8 million and with the federal matching funds to be drawn down of \$66.3 million, the total funding level for these 20 projects would be \$102.1 million.**

**However, given the interest expressed by other counties to submit a proposal, the MRMIB projects that up to \$153.8 million (\$53.8 million county/local funds) may be expended under the County Health Initiative Program.**

Counties most ready to begin to access the federal funds are Santa Clara, Alameda, San Mateo and San Francisco.

**Subcommittee Request and Questions:** The Subcommittee has requested the MRMIB to respond to the following questions:

- 1. Please **provide a brief description of the proposal.**
- 2. Please **briefly describe the need for the state support funds.**



## **C. Department of Health Services**

### **1. Proposed Reduction to Domestic Violence Program (See Hand Out for contractors)**

**Background—Overall Program:** Established in 1994 through legislation, the Battered Women's Shelter Program began primarily as a shelter-based program that expanded services to establish 17 new shelters statewide and funded creative and innovative service approaches. **The Budget Act of 1996 specified that a portion of the funds be spent on prevention efforts.**

Specifically, **existing statute** requires the Battered Women's Shelter Program to fund:

- Shelters;
- Prevention Projects;
- **Unserved and underserved populations;**
- At least one technical assistance and training contract; and
- Statewide evaluation.

These public health approaches distinguish the Battered Women's Shelter Program from other government-funded domestic violence programs in California having a criminal justice approach. **It should be noted that as a condition of receiving funding, shelters must, among other things, provide matching funds or in-kind contributions equivalent to not less than 20 percent of the grant they would receive.**

The DHS notes that the total demand for shelters is not being met. Nearly 105,000 women, men and children were served in state-funded shelters in 2000; however, more than 23,000 individuals were turned away because shelters were full.

**Background—Unserved and Underserved Populations Grants:** Anecdotal information supports that priority populations do not generally access shelters as often as other populations. **As noted by the DHS, for some communities of color and youth, the use of battered women shelter resources and the identification with and understanding of the concept of “domestic violence” are not culturally relevant or appropriate. Although culture, poverty and age are not causes of domestic violence, communities of color and youth have unique cultural differences, differing traditions and beliefs, and speak different languages that are to be taken into account when working with these communities.** It is well recognized that societal problems related to domestic violence must be addressed in a comprehensive and multi-faceted manner to gain a full appreciation of the complex role that culture plays in program development and service delivery.

**With respect to providing services to unserved and underserved populations, the DHS presently funds 15 shelters and community-based partner agencies to reach unserved and underserved populations. A total of \$2.2 million (General Fund) is currently used for this purpose.** According to the DHS, they define “unserved and underserved” populations with descriptors such as ethnicity, age, culture, language, literacy level, geography, physically challenged, sexual preference, and other criteria that inhibit access to services.

**The DHS notes that each of the 15 grants is different, depending on the target population and community.** Usually the shelter collaborates with a community organization to assist in getting a specific message out. Normally the message is conveyed through presentations and visits to community leaders (such as pastors, school officials) to teach them to look for warning signs that domestic violence is occurring and to break down cultural barriers to seeking help. **Each grant receipt currently receives about \$150,000.**

**Governor's Proposed Budget:** The budget **proposes a reduction of 50 percent, or \$1.1 million (General Fund), from shelters that provide services to unserved and underserved populations.**

The Administration states that to implement their proposal, either each contract would be reduced by half (from \$150,000 each to \$75,000 each), the number of contracts would be reduced, or some combination of the two. No decision has been reached as yet on how to best implement the proposal.

**Constituency Concern and Suggestion:** The Subcommittee is in receipt of information from the Domestic Violence Advisory Council which reflects recommendations from their January, 2003 meeting. One of the recommendations pertains to \$1.1 million reduction from shelters that provide services to unserved and underserved populations.

**First,** it is noted that these grants should not be considered outreach but rather key to essential services that impacts communities of color and youth. **Second,** they unanimously recommend to redirect \$1.1 million in funds from technical assistance and training contracts, the UC San Francisco data collection contract, and the CA State University at Sacramento meeting coordination contract to backfill for the proposed reduction to the unserved and underserved populations grants, *at least for the upcoming budget year.*

It was further noted **that one technical assistance project should remain**—the “Safenetwork”—which provides useful information via the internet.

**Subcommittee Request and Questions:** The Subcommittee has requested the DHS to respond to the following questions:

- 1. Please **briefly** describe how funds for the unserved and underserved population grants are currently being used.
- 2. Please describe how the proposed \$1.1 million will affect the grants.
- 3. From a technical assistance basis, could funds from technical assistance be used—at least for the budget year—for the reduction, instead of the unserved and underserved grants?

**Budget Issue:** Does the Subcommittee want to modify the Governor's proposed reduction to the unserved and underserved populations grants and instead, obtain the reduction from reducing funds from the technical assistance funds—at least for the budget year?

## **2. Proposed Elimination of TeenSMART Program (See Hand Out for contractors)**

**Background--Overall:** The latest report from the DHS shows birth rates among teens aged 15 to 19 years dropping to their lowest level since 1991. In addition for the first time, birth rates have dropped across all ethnic groups. Further, the abortion rate is on the decline in California, indicating that the efficacy of teen pregnancy prevention programs plays a role in reducing both teen births and abortion. **However, California has the nation's second-highest rate of teen pregnancies.**

**Background—TeenSMART:** The TeenSMART Program, **initiated in 1995**, provides counseling and outreach that actively promotes behaviors that reduce the risk of pregnancy. **Activities include referral services and providing information about clinic services to teens. The purpose of TeenSMART is to help adolescents make and sustain “smart” decision related to their sexual behavior and use family planning services including contraception.**

**Adolescents who access TeenSMART services through designated Family PACT providers have an opportunity to discuss their beliefs, values, sexual and contraceptive behaviors during enhanced counseling sessions with a family planning counselor.** These education and counseling services are reimbursed through a fee-for-service system and paid in addition to regular office visits for reproductive health care.

**Teen SMART Outreach projects target adolescents at risk for pregnancy or cause pregnancy, including those who may already be parenting, are homeless, in foster care, victims of abuse, and/or school dropouts.** Strategies for successful outreach may include community information campaigns, establishing linkages between Family PACT providers and other organizations that serve adolescents to facilitate referral to family planning services, and individual and group presentations to youth outside of clinic settings by trained outreach or peer workers.

**TeenSMART is currently funded at \$1.7 million (\$848,000 General Fund and \$848,000 federal Title XIX funds) and funds 25 projects. Based on recent data, about 40,700 total clients were served in 2002.**

**Governor's Proposed Budget--TeenSMART:** The budget proposes to **eliminate** the TeenSMART Program for savings of \$1.7 million (\$848,000 General Fund).

**Constituency Concern:** The Subcommittee is in receipt of several letters which express considerable concern with the reductions overall, **but particularly the TeenSMART Program.** They maintain that cutting teenage pregnancy prevention programs places the state in danger of incurring spiraling social costs that will place an additional burden on California's budget crisis, now and in future years. **Further they note that the women and men who depend upon these programs to maintain their reproductive health will be left with an every shrinking number of options.**

**Subcommittee Staff Comment:** It should be noted that the Governor's budget **also** proposes to **(1) eliminate the Teen Pregnancy Prevention Media Campaign for savings of \$7.8 million**

(General Fund), and (2) reduce by \$1.7 million (General Fund) the Information and Education Project component designed to decrease teen and unintended pregnancy through proactive prevention education. These two proposals, coupled with the proposed elimination of the TeenSMART Program significantly impacts the state's efforts to mitigate teen pregnancy, reduce sexual abuse and facilitate responsible parenting. It is a core component to the state's overall efforts.

Due to the fiscal crisis, it is suggested to (1) adopt the Administration's proposal to eliminate the media campaign for savings of \$7.8 million General Fund, (2) adopt the Administration's proposal to reduce by \$1.7 million General Fund the Information and Education projects, and (3) to direct Subcommittee staff to identify other General Fund reductions to off-set the TeenSMART elimination and to retain it.

**Subcommittee Request and Questions:** The Subcommittee has requested the DHS to respond to the following questions:

- 1. Please briefly describe all of the existing key components or programs operated by the DHS that offer services to mitigate teen pregnancy prevention.
- 2. Please briefly describe the TeenSMART Program and its value to at-risk adolescents and its affect to the Family PACT Program and federal approval of our Waiver.

**Budget Issue:** Does the Subcommittee want to adopt or modify the Administration's proposal to eliminate the TeenSMART Program?

### **3. Licensing and Certification Fee Restructuring Proposal (See Hand Out)**

**Background:** Licensing and Certification functions conducted by the state are either fee-supported or reimbursed by the federal government (Title XIX funds—Medi-Cal). Existing law (Section 1266 of H&S Code) provides that health care facilities (hospitals and nursing facilities), except for those owned by public entities, are to pay an annual per-bed license fee.

This per-bed fee is calculated by the DHS based on the amount of license fee revenues needed to fund *current-year* spending (not budget year) for the regulatory and licensing and certification enforcement program. The proposed fee level is then reviewed by the Legislature through the annual budget process. Since public entities are statutorily exempt from paying licensing fees and those costs are not covered by other licensees, the General Fund must pay the difference.

**Governor's Proposed Budget:** The Administration is proposing two changes to the existing method used to calculate the licensing and certification fees.

First, they are proposing to **change the way fees are *calculated*** for health care facilities. **Current methodology** calculates the fee for facilities by dividing the total expenditures by the total number of beds in all facilities (**both public and private**). **The proposed change would calculate the fee by dividing the total expenditures by the number of *private beds only*.** As such, the non-exempt health facilities will cover the difference; thereby saving General Fund expenditures. **The Administration states that savings of \$4.7 million (General Fund) will be achieved by this particular change.**

Second, the Administration is proposing to change from the existing process of calculating the upcoming budget year needs based on current year (i.e., 2002-03) expenditures to basing it on anticipated 2003-04 expenditures. Historically, any new funding proposals would be floated by the General Fund for one year before the fees would be adjusted the following year to include the added resources. **Under the Administration's proposed change, the fees would be based on *estimated* actual needs in the budget year (2003-04) thereby eliminating any dependence on the General Fund to float resources.** The Administration states that savings of just over \$1 million (General Fund) will be achieved by this particular change.

Therefore, these two proposed trailer bill language changes would result in savings of about \$5.8 million (General Fund).

**Subcommittee Request and Questions:** The Subcommittee has requested the DHS to respond to the following questions:

- 1. Please **briefly describe the two proposed changes.**
- 2. Based on the **proposed new methodology to cover exempt facilities**, what would the average fee increase be for those facilities affected by the change?
- 3. Based on the **proposed new methodology to use anticipated budget year expenditures**, what would the average fee increase be for those facilities affected by the change?

**Budget Issue:** Does the Subcommittee want to adopt the Administration's proposed trailer bill language as referenced, or does it want to make modifications?

#### **4. DHS Staff for Wage Pass-Through Adjustment**

**Background:** As the result of a “wage pass-through” provision, as contained in the Budget Act of 1999, the DHS received **6 one-year limited-term Health Program Auditor positions to perform wage pass-through audits.** The Budget Act of 2000 included an additional wage pass-through requirement and the DHS received approval to extend the 6 positions for an additional two-years. This last two-year extension period expires as of June 30, 2003.

Existing statute requires each nursing home facility receiving funds from the DHS or county health facility for purposes of the wage pass-through **to certify on a form (by October 2001) provided by the department that these funds were expended for increased direct care and other staff salary, wages and benefits increases.**

**AB 1075 (Shelly), Statutes of 2001, among other things, revises the Medi-Cal reimbursement methodology for nursing facilities and requires that wage pass-through funding be included in the development of facility specific rates. In the Budget Act of 2002, the DHS audit branch received 23 positions to implement AB 1075.**

**Governor’s Proposed Budget:** The Administration is requesting an increase of \$585,000 (\$293,000 General Fund) to extend 6 two-year limited-term positions for two additional years.

The DHS contends that these Health Program Auditor positions need to be extended an additional two years to ensure that the wage pass-through funds are built into the facility specific rates required by AB 1075. They maintain that over 30 percent of the nursing homes audited do not comply with the wage pass through.

**Subcommittee Request and Questions:** The Subcommittee has requested the DHS to respond to the following questions:

- **1. Please explain why these 6 positions would need to be extended by another two-years when the wage pass-through adjustment was last done in the Budget Act of 2000.**
- **2. Why have some nursing homes opted to not comply with the law?**

**Budget Issue:** Does the Subcommittee want to adopt or modify the Administration’s proposal?

## **5. Request for State Staff for Federal Balanced Budget Act (BBA) of 1997 Functions**

**Background—State’s Fair Hearings:** As the state’s single state agency for the federal Medicaid Program (Medi-Cal in California), the DHS is responsible for administering and implementing all federal mandates.

**The DHS administers the Medi-Cal State Fair Hearing process in conjunction with the Department of Social Services (DSS).** This is done through an interagency agreement whereby the DHS prepares “position statements” on cases and **the DSS Administrative Law Judges conduct the hearings and adjudicate the cases.**

**Background—Federal Balanced Budget Act of 1997:** The federal **Balanced Budget Act (BBA) of 1997 imposes new oversight requirements and administrative obligations on the state’s Medi-Cal Managed Care Program, including conducting periodic onsite reviews, promulgating regulations, and developing and implementing contract amendments to conform to BBA requirements.** According to the DHS, the Final Federal Rule on the BBA was published in June, 2002 and became operational as of August, 2002. **Full state compliance will be required by no later than August 14, 2003.**

As such, the Administration contends that the state must begin developmental work to implement the BBA provisions **or risk losing federal matching funds** (referred to as “federal financial participation”-FFP). They further note that failure to meet these requirements may also expose the state to legal action from interested or affected parties.

**Among other things, the DHS states the BBA does the following:**

- **Requires enhanced Medi-Cal Managed Care “member” protections in the area of State Fair Hearings and will require an expedited process.** As such, the DHS states that Medi-Cal members **may demand an expedited** (three-workday versus existing 90-day process) **State Hearing based on self reported medical need.** The BBA also requires the DHS to include certain specifications in Medi-Cal Managed Care contracts to monitor compliance with this provision.
- **Imposes new requirements on Medi-Cal Managed Care Organization relative to member grievances and appeals.** Specifically, it requires that the Medi-Cal Managed Care Organization dispose of grievances and resolve each appeal, and provide notice as expeditiously as the enrollee’s health condition requires.

**The DHS states that in creating an expedited dispute resolution process, the BBA requirements are expected to generate increased numbers of new cases directed into the State Fair Hearing process (conducted by the DSS).** The DDS State Hearing Division is responsible for providing a system of administrative hearings which must meet the due process standards set forth in federal regulations and state law.

**Governor’s Proposed Budget:** The Administration is requesting **an increase of \$1.3 million (\$670,000 General Fund) to fund 8 new positions—Administrative Law Judges-- within the Department of Social Services (DSS).**

The Administration states that these new positions are needed due to an **anticipated** increase in the current level of 2,400 cases to as many as 4,375 cases due to the Balanced Budget Act changes.

**Subcommittee Request and Questions:** The Subcommittee has requested the DHS to respond to the following questions:

- 1. Please provide **an update on the status of implementing the BBA in California.**
- 2. Please **briefly describe why these positions are needed.**

**Budget Issue:** Does the Subcommittee want to adopt or modify the request for positions?

#### **6. DHS Staff for Breast and Cervical Cancer Treatment Processing**

**Background:** The primary goal of the Breast and Cervical Cancer Treatment Program (BCCTP) is to reduce the breast and/or cervical mortality rate in California by ensuring low-income patients expedited access to urgently needed treatment services. In the 13 months since the program's initial implementation, the BCCTP has served over 5,000 women.

**The DHS was allocated 13 positions to implement and administer the (BCCTP) in the Budget Act of 2000, including six Eligibility Specialists who determine final eligibility for applicants needing breast and/or cervical treatment.** These 13 positions were funded by Tobacco Settlement Funds and federal matching funds

**Finance Letter:** The Administration **has requested an increase of \$525,000 (General Fund) to backfill for Tobacco Settlement Funds which are no longer available due to issues related to the securitization of Tobacco Settlement Fund moneys to make bond payments.**

**Subcommittee Request and Questions:** The Subcommittee has requested the DHS to respond to the following questions:

- 1. Please explain the need to continue the positions.
- 2. Please **explain why General Fund support is now needed. Is this need anticipated to change or be modified at the May Revision?**

**Budget Issue:** Does the Subcommittee want to approve or modify the Finance Letter?



## **7. DHS Staff for Estate Recovery Program**

**Background:** The DHS Estate Recovery Unit recovers Medi-Cal expenditures from the estates of certain deceased Medi-Cal beneficiaries for services received on or after the individual's 55<sup>th</sup> birthday. **Both state and federal laws require reimbursement of Medi-Cal costs from the estates of deceased Medi-Cal beneficiaries or from anyone receiving assets after the beneficiary's death, unless specific exemptions or other limitations apply. These funds are then placed back into the program to assist in the care of other medically needy individuals. No repayment is due until after the beneficiary's death.**

**The Personal Injury Recovery Program identifies and recovers health care services expended on behalf of Medi-Cal beneficiaries when a third party is liable, ensuring that Medi-Cal is the payer of last resort. As required by law, attorneys, county welfare agencies, and insurance companies must notify the department of tort actions involving a Medi-Cal beneficiary. DHS staff review Medi-Cal expenditures paid for injury-related services, then file liens for recovery against any settlement, judgement or award.**

**Governor's Proposed Budget:** The budget **proposes an increase of \$954,000 (\$239,000 General Fund) to fund 15 positions**—Five Tax Compliance Representatives, two Senior Tax Compliance Representatives, six Program Technician IIs and two Program Technicians—to **conduct a variety of activities associated with collecting additional recoveries stemming from personal injury cases and estate recovery.**

It should be noted that the DHS assumes a staffing compliment of one Program Technician II for every two Tax Compliance Representatives for processing purposes, and one Supervisor (Senior Tax Compliance Representative) for every six positions.

The Administration **assumes that \$6 million (\$3 million General Fund) in savings can be achieved from these positions in the budget year** and that \$13 million (total funds) can be obtained annually. **The proposed budget year savings level is reflected in the Medi-Cal estimate for local assistance.**

**Subcommittee Staff Comment:** Due to the fiscal crisis, staff suggests to reduce the staffing compliment and assume a longer phase-in of personnel due to the existing Administration imposed hiring freeze. **As such, it is suggest to provide funds for a total of four Tax Compliance Representatives, one Senior Tax Compliance Representative and two Program Technician IIs for a total of 7 positions. This level of staffing would reduce the budget request by about \$128,000 General Fund. It is further recommended to have the DHS report back to the Subcommittee at its May 12<sup>th</sup> hearing on other options/ideas for obtaining increased estate and third party collections.**

**Subcommittee Request and Questions:** The Subcommittee has requested the DHS to respond to the following questions:

- 1. Please provide a brief description of the proposal.

- 2. Could increased estate or other third-party collections be obtained using other means that adding additional staff?

**Budget Issue:** Does the Subcommittee **want to adopt the Subcommittee staff suggestion pending receipt of May Revision, adopt the Administration’s proposal or adopt another option?**

## **8. DHS Staff for Fingerprinting**

**Background:** The purpose of the Licensing and Certification (L&C) Program is to protect the health and safety of patients, clients and residents receiving health care in licensed and/or certified facilities, agencies or by health care professionals certified or licensed by the program.

As part of the certification function, L&C receives complaints regarding licensed or certified staff, such as allegations of abuse, neglect or misappropriation of patient property. L&C investigates those complaints and takes disciplinary actions when appropriate. L&C may place the licensee or certificate holder on probation, suspend their license/certification, or revoke it.

L&C is also responsible for conducting criminal background checks of certified nurse assistants and home health aides.

**Governor’s Proposed Budget:** The budget is requesting an **increase of \$1.6 million (\$805,000 General Fund) to hire 19 new positions—16 Health Facilities Evaluator II positions, one Health Facilities Evaluator Manager, and one Program Technician.**

Specifically, the DHS is requesting **9 positions to address staffing needs to process and investigate criminal background checks** of nurse assistant/home health aide applications, owners, administrators and direct care staff in a timely manner. **The remaining 10 request positions would be used to process complaints of possible abuse and neglect.**

**Subcommittee Staff Comment:** Based on information provided by the DHS, there are currently 13 positions (including two redirections) used to handle criminal background checks and 19 used to handle possible abuse and neglect cases (of the 19 positions, 9 were added through the Budget Act of 2002).

Though this is an important area of concern, **it is suggested to provide 3 Health Facilities Evaluator II positions and one Program Technician position for a total of 4 new positions.** It is further suggest for the DHS to decide how to best allocate these positions (i.e., between the criminal background checks and the potential abuse and neglect investigation functions). **This proposed action would save about \$ 635,000 (General Fund).**

**Subcommittee Request and Questions:** The Subcommittee has requested the DHS to respond to the following questions:

- 1. Please provide a **brief description** of the proposal and why the requested positions are needed.
- 2. Are there any existing vacancies within the L&C Division that could be redirected to provide assistance to handle criminal background checks and/or abuse and neglect cases?

**Budget Issue:** Does the Subcommittee want to adopt the staff suggestion pending receipt of the May Revision, approve the Administrations proposal, or adopt another action?

## **9. Enhanced Medi-Cal Budget Estimate Redesign (EMBER)**

**Background:** The Medi-Cal Estimate is a highly detailed and complex estimate package. It forecasts expenditures, eligibility, and the impact of regulatory and policy changes to the Medi-Cal Program. It is integral to the preparation of the State Budget.

The EMBER project was first approved to proceed in the Budget Act of 1999. **Following completion of the initial study phase, it was found that there is substantial risk associated with the age of the existing Medi-Cal budget estimate system. Specifically, it was designed on a Wang minicomputer in 1978, and ported to a DEC VAX minicomputer in 1984 with no upgrade to the server, operating system, database management system or application package since 1994.**

Due to the criticality of the existing system to the preparation of the Medi-Cal estimate, the risk of attempting further revisions or substantial modifications to the production system is significant and it is neither feasible nor desirable to build a mirrored development and test platform. Further, the interested parties are increasingly requesting information that the existing system simply cannot deliver. **Therefore, it was determined by the Administration that a redesigned estimate information system was both beneficial and necessary to the continuation of this critical business function.**

**A Feasibility Study Report (FSR) was completed and approved.** The DHS states that development of the project is to begin in April 2003, with full implementation by April 2005. The DHS states that resources are now needed to continue with this effort.

**Finance Letter:** The Governor's January budget requested an increase of \$930,000 (\$232,000 General Fund) to proceed with the EMBER implementation. **However upon further review, the Administration has submitted a Finance Letter which proposes to shift more of the EMBER implementation functions to an in-house (versus consultant) operation. Through this shift, a savings of \$144,000 (General Fund) has been identified from the January budget.**

**Therefore, the revised total requested increase for EMBER is \$355,000 (\$88,000 General Fund). This funding level assumes the following:**

- Two positions—Senior Information Systems Analysts—to conduct some of the work in-house and to proceed with various implementation steps;
- Consultant services (about \$200,000) to develop the replacement system; and
- Minor equipment expenditures.

**Subcommittee Request and Questions:** The Subcommittee has requested the DHS to respond to the following questions:

- 1. Please **provide a brief description** of the project.
- 2. Please **describe how the positions are needed**.

**Subcommittee Staff Comment:** Due to the critical nature of the Medi-Cal Estimate package to the budget process and the need to develop and use extensive data sets for program planning, policy development and related management aspects, **it is suggested to approve the Finance Letter.**

**Budget Issue:** Does the Subcommittee want to approve the Finance Letter pending receipt of May Revision, or modify the request?

#### **10. Staff for--Continuous Skilled Nursing Care Pilot Project (AB 359, Statutes of 1999)**

**Background:** This legislation required the DHS to establish a **Waiver pilot program** (up to ten sites) **to explore more flexible models of health care facility licensure to provide continuous skilled nursing care to medically fragile developmentally disabled individuals in the least restrictive environment.** Current licensing categories do not provide the flexibility to allow these individuals to reside in small, non-institutional health facilities.

**This ICF/DD-CN pilot program began enrolling recipients on April 3, 2002.** The pilots have an expiration date of January 1, 2006. **This sunset date was adjusted through the omnibus health trailer bill that accompanied the Budget Act of 2002.** The date was moved back due to the late start in getting the pilots designed and implemented.

The DHS was provided positions for the implementation, monitoring and evaluation of the pilot. These positions are slated to expire.

**Governor's Proposed Budget:** The DHS is requesting to extend four limited-term positions to January 1, 2006 consistent with the sunset date for the pilot for increased expenditures of \$364,000 (total funds). The positions include: one Staff Services Manager I, an Associate Governmental Program Analyst, a Nurse Evaluator II, and a Health Facility Evaluator Nurse.

**In addition, the budget is requesting \$250,000 (total funds) to conduct an “independent assessment” as required by federal law (i.e., condition of the Waiver for the pilot).**

**The DHS states that the positions are needed in order to maintain compliance with AB 359 during the projected Waiver pilot period.**

**Subcommittee Staff Comment:** It is suggested to delete the \$250,000 (total funds) for the independent assessment and instead, have the DHS do an agreement with the DOF to conduct the evaluation. The DOF’s evaluation unit has conducted several independent assessments for the Medi-Cal Program, including one for managed care and one for mental health. In both situations the assessments were informative and provided to the federal CMS as required. In the past, these assessments were done within available resources.

**Subcommittee Request and Questions:** The Subcommittee has requested the DHS to respond to the following questions:

- 1. Please provide a brief update regarding the Waiver pilots.
- 2. Please explain why the positions are needed.

**Budget Issue:** Does the Subcommittee want to delete the funding for the independent assessment and make any other adjustment, or adopt the Administration’s proposal?